

Message Text

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ACTION EUR-12

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USIA-06 ACDA-05 SAJ-01 SAM-01 SWF-01 AID-05 CEA-01

COME-00 EB-07 FRB-01 CIEP-01 STR-01 TRSE-00 LAB-04

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SUBJECT: THE EC AND PORTUGAL

REF: EC BRUSSELS 8647

1. BEGIN SUMMARY: ACCORDING TO A COMMISSION SOURCE, THE RECENT MEETING OF THE EC-PORTUGAL JOINT COMMITTEE --HELD UNDER THE EC-PORTUGUESE FREE TRADE ARRANGEMENT -- DISCLOSED CONSIDERABLE UNCERTAINTY ON THE PART OF THE PORTUGUESE AS TO WHAT THEY WANT FROM THE COMMUNITY. AN AD HOC GROUP HAS BEEN ESTABLISHED WHICH WILL PREPARE

RECOMMENDATIONS FOR POSSIBLE ACTION AT THE NEXT JOINT COMMITTEE MEETING SCHEDULED FOR EARLY 1975. END SUMMARY.

2. EC COMMISSION DEPUTY DIRECTOR GENRAL FOR EXTERNAL AFFAIRS DE KERGORLAY, WHO REPRESENTED THE COMMUNITY AT THE EC-PORTUGAL JOINT COMMITTEE AT LISBON NOVEMBER 25 AND 26 TOLD US THE PORTUGUESE SIDE
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WAS EXTREMELY UNCLEAR AS TO WHAT IT EXPECTED FROM THE COMMUNITY THE

PORTUGUESE WANT IMPROVED CONDITIONS FOR PORTUGUESE WORKERS (SOME 20 PERCENT OF THE PORTUGUESE LABOR FORCE IS EMPLOYED IN THE COMMUNITY), IMPROVED ACCESS FOR CERTAIN PORTUGUESE PRODUCTS SUCH AS PORT WINE, CANNED FISH AND TOMATO CONCENTRATES, AND ASSISTANCE TO INDUSTRY, TO INCLUDE FINANCIAL BACKING. BUT ON ALL POINTS, ESPECIALLY THE LAST THE PORTUGUESE SIDE WAS VERY VAGUE WHEN IT CAME TO SPECIFICS.

3. DE KERGORLAY SAID A MAJOR PORTUGUESE CONCERN WAS TO KEEP ITS ECONOMY HEALTHY ENOUGH TO SUPPORT THE INCREASE IN THE WORK FORCE DUE TO REPATRIATION FROM THE AFRICAN COLONIES AND POSSIBLE REPATRIATION FROM THE COMMUNITY IN THE EVENT OF A POSSIBLE RECESSION. THE COMMUNITY WISHES TO BE AS FORTHCOMING AS IT CAN AND WISHES TO DEMONSTRATE THAT THE COMMUNITY IS A BETTER FRIEND TO PORTUGAL THAN EASTERN EUROPE. IT FINDS IT DIFFICULT, HOWEVER, TO GO VERY FAR UNTIL THE POLITICAL SITUATION BECOMES CLEARER AND PERMITS THE PORTUGUESE TO COME TO GRIPS MORE EFFECTIVELY WITH THE COUNTRY'S PROBLEM. DE KERGORLAY BELIEVES THAT NEXT MARCH WHEN ELECTIONS ARE EXPECTED TO TAKE PLACE WILL BE THE FIRST TEST.

4. ACCORDING TO DE KERGORLAY, AN AD HOC WORKING GROUP HAS BEEN ESTABLISHED TO PREPARE RECOMMENDATIONS FOR THE NEXT MEETING OF THE EC-PORTUGAL JOINT COMMITTEE WHICH IS SCHEDULED TO TAKE PLACE EARLY IN 1975. FROM THE COMMUNITY'S VIEW-POINT THE ESTABLISHMENT OF THE WORKING GROUP SERVED THREE PURPOSES: (A) IT HAD OPTICAL MERIT SINCE IT DEMONSTRATED CONTINUED MOMENTUM IN EC/PORTUGUESE RELATIONS; (B) IT WOULD PERMIT THE COMMUNITY TO HELP THE PORTUGUESE CLARIFY THEIR THINKING AND COME UP WITH SOME SPECIFIC PROPOSALS; AND (C) IT WOULD "BRIDGE" THE CURRENT PERIOD OF UNCERTAINTY UNTIL THE POLITICAL SITUATION HAD CLARIFIED SOMEWHAT. HE SAID EC COMMISSION VICE PRESIDENT SOAMES WAS SCHEDULED TO GO TO LISBON IN JANUARY AND WOULD HAVE A CHANCE THEN TO TAKE ANOTHER READING OF THE SITUATION.

5. DE KERGORLAY SAID SPECIFIC EC FINANCIAL ASSISTANCE TO PORTUGAL WAS A LONG WAY OFF. ANYTHING THE COMMUNITY DID WOULD BE CARRIED OUT THROUGH THE EUROPEAN INVESTMENT BANK WHICH WAS A LONG PROCESS, SINCE IT REQUIRED A FINANCIAL PROTOCOL WHICH LIMITED OFFICIAL USE

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HAD TO BE RATIFIED BY ALL MEMBER STATES. HE SAID ONE POSSIBLE WAY OF ASSISTING PORTUGAL WOULD BE FOR THE BANK TO MAKE LOANS TO EUROPEAN COMPANIES TO ESTABLISH BUSINESSES IN PORTUGAL BUT THIS HAD POLITICAL DISADVANTAGES SINCE THE PORTUGUESE COULD ARGUE THAT THE EUROPEANS WERE NOT COMING IN TO HELP BUT TO TAKE ADVANTAGE OF LOW PORTUGUESE WAGES. ANOTHER PROBLEM HE SAID WAS THAT UNTIL IT WAS CLEAR IN WHAT DIRECTION THE GOVERNMENT WAS MOVING, NO PORTUGUESE INVESTMENT GUARANTEE WOULD

BE WORTH ANYTHING. THE GOVERNMENT COULD AT ANY TIME SIMPLY
NATIONALIZE ALL FOREIGN BUSINESS.MYERSON

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